

TEACHERS' RETIREMENT BOARD
EXECUTIVE COMPENSATION COMMITTEE

SUBJECT: Approval of Minutes of July 11, 2002

ITEM NUMBER: 6

ATTACHMENT(S): 1

ACTION: X

DATE OF MEETING: October 3, 2002

INFORMATION: _____

PRESENTER(S): Chairperson

Please see the attached minutes of the July 11, 2002, meeting of the Executive Compensation Committee.

PROPOSED
MINUTES OF THE
EXECUTIVE COMPENSATION COMMITTEE
OF THE
TEACHERS' RETIREMENT BOARD
THURSDAY, JULY 11, 2002
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
BOARD ROOM
7667 FOLSOM BOULEVARD
SACRAMENTO, CALIFORNIA

BOARD MEMBERS PRESENT

George Fenimore, Chairperson

Gary Lynes

Paul Krasnow

Karen Russell

Carolyn Widener

Annette Porini, representing the Director of Finance, B. Timothy Gage

Louis Willhoit, representing the State Controller, Kathleen Connell

Ted Eliopoulos, representing the State Treasurer, Philip Angelides

Richard Whitmore, representing the Superintendent of Public Instruction, Delaine Eastin

STAFF PRESENT

Jack Ehnes, Chief Executive Officer

Christopher J. Ailman, Chief Investment Officer

Chris Waddell, Chief Counsel

Ed Derman, DCEO, External Affairs and Program Development

Peggy Plett, DCEO, Administration

Mary Miles, Administrative Assistant

OTHERS PRESENT

Ron Keimach, Watson Wyatt Consulting

Dorothy Moser, CTA/NEA-R

Tony Jones, CTA

Lois Shive, CTA

Michael Green, CTA

Loretta Toggenburger, UTLA-R

A quorum being present, Chairperson Fenimore called the meeting to order at 8:05 a.m.

II. **APPROVAL OF MINUTES OF JUNE 5, 2002 MEETING**

MOTION duly made by Ms. Russell, seconded by Mr. Lynes, and carried to approve the minutes of the June 5, 2002, meeting.

III. **ANNOUNCEMENTS**

There were no announcements.

IV. **RELOCATION POLICY**

Ms. Plett presented a proposed change to the policy on the travel and relocation expenses for newly appointed CalSTRS exempt and managerial employees.

MOTION duly made by Ms. Widener, seconded by Mr. Krasnow, and carried to approve the Relocation Policy as presented.

V. **EXEMPT COMPENSATION STRUCTURE**

Mr. Keimach, representing Watson Wyatt Consulting, presented a comparison of various salary structures for public and private organizations of exempt executive and investment positions. Mr. Ehnes provided proposed salary range recommendations for the exempt positions. Mr. Eliopoulos stated the Treasurer's support for the setting base salary ranges and a performance based bonus incentive system, but did not want to set salary ranges above CalPERS or to automatically bump up the salary range for an incumbent in the specified exempt position. Ms. Porini stated she did not see bonuses as part of a State pay structure, but supports a higher salary range for Investment staff.

Moved to Closed Session at 8:55 a.m., and returned to Open Session at 11:20 a.m.

MOTION duly made by Mr. Whitmore, seconded by Mr. Krasnow, and carried to establish base pay ranges at \$132,000 to \$200,000 for the five Investment Director positions.

Gary Lynes	Yes
Paul Krasnow	Yes
Karen Russell	Yes
Carolyn Widener	Yes
Annette Porini for the Director of Finance	Abstain
Louis Willhoit for the State Controller	Abstain
Richard Whitmore for the Superintendent of Public Instruction	Yes
Ted Eliopoulos for the State Treasurer	No

MOTION duly made by Ms. Widener, seconded by Mr. Lynes, and carried to direct staff to bring an implementation plan for the initial placement and process for placement of positions within the salary range and incentive program.

Gary Lynes	Yes
Paul Krasnow	Yes
Karen Russell	Yes
Carolyn Widener	Yes
Annette Porini for the Director of Finance	Abstain
Louis Willhoit for the State Controller	Abstain
Richard Whitmore for the Superintendent of Public Instruction	Yes
Ted Eliopoulos for the State Treasurer	Yes

MOTION duly made by Mr. Lynes, seconded by Mr. Krasnow, and carried to establish the incentive percentage of up to 30% for the five Investment Director positions. Roll Call:

Gary Lynes	Yes
Paul Krasnow	Yes
Karen Russell	Yes
Carolyn Widener	Yes
Annette Porini for the Director of Finance	Abstain
Louis Willhoit for the State Controller	Abstain
Richard Whitmore for the Superintendent of Public Instruction	Abstain
Ted Eliopoulos for the State Treasurer	No
George Fenimore	Yes

MOTION duly made by Ms. Widener, seconded by Ms. Russell, to approve a salary range for the Chief Counsel at \$120,000 to \$170,000, for the Deputy Chief Executive Officer, \$109,000 to \$140,000, and \$100,000 to \$130,000 for the Actuary position, and defer consideration of bonuses for those positions pending a proposal from staff at the next meeting of the Committee.

SUBSTITUTE MOTION duly made by Mr. Eliopoulos, seconded by Ms. Porini, to make no change to the base pay ranges for the Chief Counsel, Deputy Chief Executive Officer, and the Actuary positions. Motion fails. Roll Call:

Gary Lynes	No
Paul Krasnow	No
Karen Russell	No
Carolyn Widener	No
Annette Porini for the Director of Finance	Yes
Louis Willhoit for the State Controller	Abstain
Richard Whitmore for the Superintendent of Public Instruction	Abstain
Ted Eliopoulos for the State Treasurer	Yes
George Fenimore	No

Roll Call on initial motion:

Gary Lynes	Yes
Paul Krasnow	Yes
Karen Russell	Yes
Carolyn Widener	Yes
Annette Porini for the Director of Finance	Abstain
Louis Willhoit for the State Controller	Abstain
Richard Whitmore for the Superintendent of Public Instruction	Yes
Ted Eliopoulos for the State Treasurer	No

MOTION duly made by Ms. Widener, seconded by Ms. Russell, and carried to adopt the Watson Wyatt Salary recommendations and bonus recommendations for the Chief Executive Officer and Chief Investment Officer positions.

Gary Lynes	Yes
Paul Krasnow	Yes
Karen Russell	Yes
Carolyn Widener	Yes
Annette Porini for the Director of Finance	Abstain
Louis Willhoit for the State Controller	Abstain
Richard Whitmore for the Superintendent of Public Instruction	Abstain
Ted Eliopoulos for the State Treasurer	No
George Fenimore	Yes

Chairperson Fenimore reported that the Committee, in closed session, elevated the current salary for the Chief Executive Officer from \$140,000 to \$175,000, effective July 1, 2002.

VI. **DRAFT AGENDA FOR THE NEXT COMMITTEE MEETING**

Ms. Plett stated that amendments will be made to the agenda as previously directed.

VII. **OPPORTUNITY FOR STATEMENTS FROM THE PUBLIC**

There were no statements.

VIII. **ADJOURNMENT**

There being no further business to conduct, the meeting was adjourned at 11:25 a.m.

Jack Ehnes, Chief Executive Officer
and Secretary to the Teachers' Retirement Board

George Fenimore, Chairperson